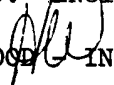


25. ENGINEERING DIVISION LOGNOTE - 29 August 1985

WOOD  INTERNET

The Contracting Officer, Auditor and I met with COMSAT on 27 August to review their revised bid for the Washington INTERNET Terminal. Although they presented costs for the Clarksburg alternate, they informed us that Clarksburg was not really a viable option any longer. It seems that their own internal plans for antenna testing are such that construction of INTERNET facilities would be significantly delayed.

The costs they presented, although reduced by approximately \$2M, are still based on a tariff arrangement which results in an actual markup of \$2M. This subject was discussed at the previous meeting and they were asked to examine whether they could and/or would attempt to establish a different procedure for determining costs. As of this meeting, they indicated that they, COMSAT, had only reviewed this question with their own legal staff. Predictably the answer was nothing could be changed. Also they felt that if they couldn't operate this way, then they were not interested in the project since they would be restricted to 10-15% profit on actual costs.

It is my opinion that we will receive yet another offer since I told them that we apparently had reached an impasse, the alternative to which was to invoke higher management discussion or recompute the entire project.

cc: DD/FBIS, C/OPS, C/ESG, INTERNET FILE.